

VZCZCXYZ0004
RR RUEHWEB

DE RUEHHK #0033 0060859
ZNR UUUUU ZZH
R 060859Z JAN 10
FM AMCONSUL HONG KONG
TO RUCPDOG/USDOC WASHDC
INFO RUEHC/SECSTATE WASHDC 9341
RHMFIUU/HQ BICE WASHINGTON DC

UNCLAS HONG KONG 000033

USDOC FOR 532/OEA/ MCANNER
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR PATRICK SANTILLO
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: [BMGT](#) [BEXP](#) [HK](#) [ETRD](#) [ETTC](#)

SUBJECT: EXTRANCHECK: POST SHIPMENT VERIFICATION: LEADER MUTUAL
FREIGHT SYSTEM

REF: A) BIS e-mail request dated November 19, 2009 (01210097)

11. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

12. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted a post shipment verification (PSV) at Leader Mutual Freight System, 1 Sheung Hei Street, San Po Kong, Hong Kong (Leader Mutual). The items in question for this PSV are three shipments of SRAM and memory cards exported to Leader Mutual on or about September 4, 2009 and July 23, 2009 (two shipments). These items are likely classified under Export Control Classification Number EAR99, meaning that they are likely eligible to be shipped license free worldwide except to sanctioned destinations and certain restricted end-uses/users. The exporter was Dane-Elec Corporation of Irvine, California.

13. According to the Hong Kong Companies Registry, Leader Mutual has been in existence since 1997. Its paid up share capital is the Hong Kong equivalent of approximately USD 650,000. The Hong Kong Companies Registry lists one Taiwanese national, one U.S. national and two Hong Kong residents as directors.

14. According to the company's web site (www.Leader-Mutual.com.hk), Leader Mutual is an international freight forwarder with offices throughout China and the United States.

15. On December 22, 2009, ECO and FCS Commercial Assistant Carrie Chan visited the company at the address noted above and met with Ms. Karen Chu, Logistics Manager. She provided additional background about the company (consistent with information on its web site). Ms. Chu stated that Leader Mutual is as a freight forwarder and also acts as a type of consolidator/warehouse for companies in Hong Kong or for overseas companies that don't have a physical presence in Hong Kong. According to Ms. Chu, Leader Mutual ships worldwide.

16. As to the specific shipments in question, Ms. Chu stated that Leader Mutual acts as the warehouse and consolidator for the exporter's Hong Kong operations (Dane-Elec Memory Asia Limited) pursuant to a written agreement with Dane-Elec. According to Ms. Chu, Dane-Elec requires that Leader Mutual hold product for Dane-Elec's customers (whether in Hong Kong or abroad). Those customers then come to Leader Mutual to pick up the items or direct Leader Mutual to ship the items to their location in Taiwan or elsewhere. Ms. Chu stated that one reason for such an approach to sales is that it makes the customer responsible for any tax or similar payments when shipping to mainland China and other destinations (Hong Kong, conversely, is a free port and does not impose import duties, VAT or similar levies).

17. As to the particular shipments in question, Ms. Chu stated that they had been received and disbursed to various Hong Kong customers

at the direction of Dane-Elec. Ms. Chu provided documentation confirming delivery to Dane-Elec customers including Nexus Technologies (H.K.) Ltd. and Koh Electronic Technology Pte. Ltd. (www.kohelec.com). These companies appear to be further Hong Kong and Singapore based resellers of computer memory. As the items are not highly controlled and may be shipped license free to virtually all destinations and consignees, ECO did not contact the resellers to further determine their eventual customers. ECO may do so if OEA so desires.

¶8. ECO provided Ms. Chu with information about U.S. export controls (including the BIS brochure on reexport controls). By follow-up e-mail, Ms. Chan provided additional information about BIS lists to check and other export control information. Ms. Chu promised to review the information closely and share it with her colleagues.

¶9. ECO believes Leader Mutual to be a suitable recipient of U.S. origin technology (as freight forwarder). Nonetheless, given what appears to be relatively limited knowledge of U.S. export controls at a company with a significant U.S. presence, ECO recommends that BIS conduct an outreach at Leader Mutual's U.S. operations to provide information about export controls to those operations as well.